

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**REVIEW OF THE DEPARTMENT OF HUMAN
SERVICES AND THE DISTRICT OF COLUMBIA
GENERAL HOSPITAL CONTRACTS WITH A
SELECTED VENDOR**



**CHARLES C. MADDOX, ESQ.
Inspector General**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL



Inspector General

September 15, 2000

Carolyn Graham
Deputy Mayor for
Children, Youth and Families
441 4th St. Suite 960 N.
Washington, D.C. 20001

Robin Newton, M.D.
Chief Operating Officer
D.C. Health and Hospitals Public Benefit Corporation
1900 Massachusetts Avenue, S.E., Room 1455A
Washington, D.C. 20003

Dear Ms. Graham and Dr. Newton:

Enclosed is the revised final report summarizing the results of our review of the Department of Human Services and the District of Columbia General Hospital contracts with a selected vendor (Report No. OIG-00-2-02MA). The Office of the Inspector General conducted this audit at the request of Kathleen Patterson, Chairperson, Committee on Governmental Operations, District of Columbia City Council.

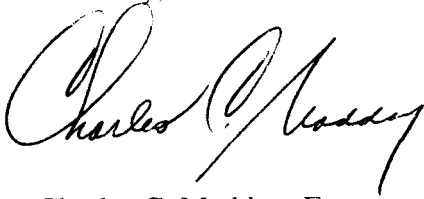
This revised report incorporates information received subsequent to our report, OIG No. 9713-25, issued by Robert L. Thomas, Interim Inspector General on November 20, 1997. Although the dollar magnitude of the deficiencies previously reported have been reduced, no information has come to our attention that would cause us to refrain from reporting the remaining dollar amounts for those deficiencies that had been originally reported.

I am also providing a courtesy copy of this report to Ivan C. A. Walks, M.D., Director, Department of Health, because his agency became responsible for the administration of the Department of Human Services contract discussed in this report.

Carolyn Graham
Robin Newton, M.D.
September 15, 2000
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Should you have questions, please call me or John N. Balakos, Deputy Inspector General for Operations and Administration, at 727-2540.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles C. Maddox". The signature is fluid and stylized, with the first name "Charles" being more prominent.

Charles C. Maddox, Esq.
Inspector General

Enclosure

JBE/jbe

cc: Ivan C. A. Walks, M.D., Director, Department of Health

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EXECUTIVE DIGEST

OVERVIEW

This report, Report No. OIG-00-2-02MA, summarizes the Office of the Inspector General's (OIG) audit of two contracts between two District agencies and a specific vendor, and revises and replaces Report No. 9713-25, issued November 20, 1997, by Robert L. Thomas, Interim Inspector General. This report incorporates information provided to the OIG subsequent to the original report including information provided as late as August 25, 2000. The OIG conducted this audit in response to a request by Kathleen Patterson, Chairperson, Committee on Governmental Operations.

STATUS OF AUDIT INFORMATION

The OIG requested, from the District agencies involved, written comments to the findings and recommendations made in a draft of the original report. The Department of Human Services (DHS) deferred comment to the Department of Health, which separated from the DHS during the audit period and was responsible for administration of the vendor contracts. The D.C. General Hospital (DCGH) generally concurred with the findings and recommendations, and began corrective actions.

A vendor representative, on July 18, 1997, orally agreed to provide all necessary records to test the two contracts to determine whether the nurses were paid benefits consistent with the loaded hourly rates specified in the contracts. The OIG confirmed this agreement by a letter to the vendor, dated July 21, 1997. The original audit report was issued based on having all available information from the vendor. Subsequent to the report, vendor representatives provided additional information that reduced total dollar amounts for those discrepancies shown in our original report from \$43,288 to \$29,234. We provided by fax a preliminary version of this report containing those revised figures to the vendor on November 1, 1999, and in person to vendor representatives, on February 2, 2000. No new information was received from the vendor until August 2000.

On the 15th and the 25th of August, 2000, vendor representatives provided copies of payroll registers that we had reported as missing that, when considered, reduced amounts by an additional \$862. We also were unsure of one of the instances that we had reported as an overcharge; accordingly, we reduced the total amount of overcharges by \$268. However, we did not receive information that would support further reducing the amounts for other reported discrepancies.

The vendor has had the opportunity for nearly 34 months since the original report was issued to provide information refuting the factual information in the original report. Representatives of the vendor, in the meeting on August 15, 2000, confirmed that many of its employees that we identified in the report were not paid holiday pay. They refused to comment on whether the Code of Federal Regulations required such holiday pay although we cited the specific regulation in the report. Also, in a phone call on August 25, 2000, a vendor representative stated that certain underpayments made to the nurses, allegedly caused by a contractor loading obsolete payroll data, were not corrected. Accordingly, we believe that the

EXECUTIVE DIGEST

vendor has had ample opportunity to present any information that it had that would cause us to revise the report further.

CONCLUSIONS

The findings in this report show that the vendor did not always pay its nurses for holidays and for health and welfare benefits although the nurses were entitled to compensation (see Findings 1 and 2). The vendor also sometimes paid its nurses a lower hourly rate than they were entitled to under standard D.C. Government contract provisions, which incorporated Department of Labor Wage Determinations, and sometimes overbilled the D.C. Government for more hours than its nurses worked (see Finding 3).

We also found that neither the DHS nor the DCGH monitored their respective contracts sufficiently to ensure payments were made only for services rendered in accordance with contract terms. Invoices were paid without verification that billings were consistent with approved time cards (see Finding 4).

We determined that contrary to D.C. Municipal Regulations, DHS issued five consecutive 120-day emergency contracts to the vendor to provide nursing services to D.C. Public Schools (see Finding 5).

Table A summarizes most of the discrepancies in billing, payment, and fringe benefits. However, because the weekly schedules of employees varied, the OIG was unable to readily determine the proportionate amounts due part-time nurses for holiday pay.

Table A - Summary of Discrepancies

<u>Finding No.</u>	<u>DHS JA-70017-01</u>	<u>DCGH JB/87-97-0</u>	<u>Total</u>
1. Holiday Pay (unpaid)	\$ 2,758	\$ 1,034	\$ 3,792
2. Health & Welfare (unpaid)	12,160	4,848	17,008
3. Overcharges	1,070	2,625	3,695
3. Underpayments	<u>2,981</u>	<u>628</u>	<u>3,609</u>
Total Discrepancies	\$18,969	\$9,135	\$28,104

INTRODUCTION

BACKGROUND

The OIG has completed an audit of two contracts for nursing services awarded to a vendor by DHS and DCGH. DHS contract JA-70017-01 in the amount of \$511,875, was for the provision of nursing services at D.C. Public Schools for 120 days effective December 3, 1996. DCGH contract JB/87-97-0, in the amount of \$327,414.92, was for nursing services at five neighborhood clinics for one year effective December 10, 1996.

The vendor's contracts with the District government were for the provision of supplemental nursing and related medical staffing services. District Government Standard Contract Provisions provide for compliance with the Service Contract Act of 1965, as amended (41 U.S.C. §§ 351-358). The regulations associated with this federal law are published in Title 29, Part 4 of the Code of Federal Regulations. As indicated in the regulations and Standard Contract Provisions, the contractor must pay not less than the minimum wage and must furnish fringe benefits to each service employee. These wages and fringe benefits must be furnished in accordance with the wages and benefits determined by the Secretary of Labor and issued as wage determinations. In lieu of providing the fringe benefits specified in the wage determinations, the contractor is allowed to furnish equivalent combinations of bona fide fringe benefits, or to make equivalent or differential cash payments.

The vendor had other contracts with DHS and DCGH although we did not review them in detail. At the time this audit began, the vendor had three other contracts with DHS: contract JA/97627 in the amount of \$396,370 to provide nursing services to D.C. Public Schools for 120 days effective May 2, 1997; contract JA/94663 in the amount of \$704,549.12 to provide medical and human care staffing services for the Healthy Start Program for one year, effective April 27, 1997; and contract JA/93684 in the amount of \$797,657 to provide nursing services for the Addiction Prevention Recovery Administration. The vendor also had a second DCGH contract, contract JB/871059, in the amount of \$60,000 to provide home health care nursing services.

The DHS and DCGH contracts selected for audit required the services of staff-level III registered nurses, and the contract amounts were based on "loaded"¹ hourly rates of \$31.48 (16,250 hours for DHS contract JA-70017-01 and 10,400 hours for DCGH contract JB/87-97-0). The loaded hourly rate is composed of direct pay of \$21.55 for level III registered nurses as specified in Wage Determination Number 94-2103, together with allocations for Social Security, Medicare, federal and state unemployment taxes, Worker's Compensation, holiday pay, health and welfare benefits, vendor overhead, and vendor profit. The vendor's price proposals incorporated into both contracts noted that the holiday pay and health & welfare allocations were in reference to the requirements of Wage Determination Number 94-2103.

¹ The term "loaded hourly rate" may be defined as the rate the vendor bills the D.C. Government that includes all costs, including labor, fringe benefits, overhead, and profit.

INTRODUCTION

OBJECTIVES

The audit objectives were to determine whether:

1. The vendor was paying all required benefits to its full and part-time nurses,
2. The vendor's billings were in accordance with terms of the contracts and accurately reflected services rendered, and
3. The contracts were being properly monitored.

SCOPE AND METHODOLOGY

The OIG reviewed the vendor's invoices and payroll registers from the inception of DHS contract JA-70017-01 through its expiration on April 1, 1997. Under this contract, the vendor billed DHS \$459,954 for 14,611 hours of services provided by the nurses. For DCGH contract JB/87-97-0, the OIG reviewed the vendor's invoices from inception through June 30, 1997, and payroll registers through June 20, 1997. Under this contract, the vendor billed the DCGH \$182,785 for 5,806 hours of services provided by the nurses.

The OIG also scanned other contracts of the vendor in place with the District Government as of July 1997 when the audit began and reviewed: information developed from a Council hearing regarding the vendor's nursing contracts, nurses' sign-in/sign-out sheets and time cards, and federal regulations for the Service Contract Act of 1965. In addition, the OIG interviewed vendor and U.S. Department of Labor officials, and various D.C. Government personnel responsible for procurement and for monitoring hours worked by the nurses. Since the DHS contract was for 120 days and the DCGH contract review period was less than seven months, the vendor's compliance with the vacation benefit requirement of the Service Contract Act (two weeks paid vacation after one year of service, etc.) was not considered. We also reviewed information received from vendor representatives after the original report was published. The audit was conducted according to generally accepted government auditing standards and included auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

FINDING 1: PROVIDING HOLIDAY PAY TO CONTRACT NURSES

SYNOPSIS The vendor did not always pay its employees for holidays although DHS contract JA-700-17-01 and DCGH contract JB/87-97-0 contained contract provisions that required the vendor to pay its employees for holidays. As a result, we estimated that the vendor underpaid employees \$3,792 (176 hours x 21.55) in holiday pay. We were not able to determine why some employees received holiday pay and others did not.

AUDIT RESULTS General Condition 31, "Service Contract Act of 1965," is included in the Standard Contract Provisions incorporated into all D.C. Government supply and service contracts. This general condition incorporates Title 29, Part 4, of the Code of Federal Regulations (CFR) and establishes the requirements for contractors to pay certain wages and fringe benefits, including holiday pay. In addition, Department of Labor (DOL) Wage Determination No. 94-2103 was incorporated into the contracts by reference or attachment.

- CFR, §4.174(a)1, states in part,

Unless specified otherwise in an applicable determination, an employee who performs any work during the workweek in which a named holiday occurs is entitled to the holiday benefit, regardless of whether the named holiday falls on a Sunday, another day during the workweek on which the employee is not normally scheduled to work, or on the employee's day off.

- CFR, §4.176(a), provides in part,

As set forth in Section 4.165(a)(2), the Act makes no distinction, with respect to its compensation provisions, between temporary, part-time, and full-time employees. Accordingly, in the absence of express limitations, the provisions of an applicable fringe benefit determination apply to all temporary and part-time employees engaged in covered work. However, in general, such temporary and part-time employees are only entitled to an amount of the fringe benefits specified in an applicable determination which is proportionate to the amount of time spent in covered work.

- Department of Labor Wage Determination No. 94-2103, Revision No. 8, specifies a minimum of ten paid holidays per year. For DHS contract JA-700-17-01, only four holidays apply during the contract period: Christmas Day, New Year's Day, Martin Luther King Jr.'s Birthday, and Washington's Birthday. All ten holidays apply to the DCGH contract JB/87-97-0.

The vendor did not always pay its employees for holidays in accordance with contract provisions. Based on available information, we estimated that full-time employees were due back pay totaling \$3,792 for holidays, that is, \$2,758 for services in connection with DHS contract JA-700-17-01 and \$1,034 for DCGH contract JB/87-97-0. We did not estimate the amount of back pay due to part-time employees of the vendor. In addition, the DCGH contract was priced to include payment to employees for the Christmas holiday; therefore, the vendor received an

RESULTS OF AUDIT

unexpected gain because the employees were not entitled to holiday pay in weeks they could not work because the schools were closed.

DHS Contract JA-700-17-01. The vendor assigned 18 full-time nurses to the contract and another 30 part-time nurses at various times during the contract period, who were eligible for holiday pay. Since the D.C., Public Schools were closed and vendor employees did not work during the week of Christmas, the vendor had no contractual obligation to pay its employees for the Christmas holiday. However, we estimated unpaid holiday pay for New Years day to be \$2,758 for full-time employees. Holiday pay was calculated by multiplying the hourly rate (\$21.55) times 8 hours for each nurse due holiday pay. We calculated back pay and the unanticipated gain of the vendor, as follows:

- **New Years Day.** We estimated the vendor owed back holiday pay totaling \$2,758.40 for the 16 full-time nurses ($\$21.55 \times 8 \text{ hours} \times 16 \text{ nurses}$) who worked during the holiday week. The vendor did not pay any nurses, full or part-time, for the New Year's holiday. However, one nurse who was not entitled to pay for this holiday, because she did work during the week of the holiday, was paid for an extra 8 hours in the subsequent pay period.
- **Unexpected Gain.** Since the DHS contract was priced to include payment to full-time nurses for the Christmas holiday, the vendor received an unexpected profit estimated at \$3,103.20 ($\$21.55 \times 8 \text{ hours} \times 18 \text{ nurses}$). Nurses were not entitled to holiday pay for the Christmas holiday because the schools were closed during Christmas week.

DCGH Contract JB/-87-97-0. The vendor underpaid holiday pay due its full-time nurses by as much as \$1,034.40 (\$689.60 for Christmas and New Years plus \$344.80 for Martin Luther King, Jr. and Memorial Day holidays). The vendor also did not provide holiday pay to part-time nurses proportionate to the time spent in covered work. During the audit period, the vendor employed as many as 6 full-time nurses at 5 neighborhood clinics, and 5 covered holidays occurred. The vendor paid all eligible full-time employees for the George Washington holiday, but did not provide holiday pay to all entitled employees for Christmas, New Years Day, Martin Luther King Jr.'s Birthday, and Memorial Day.

- **Christmas and New Years Holidays.** We estimated that the vendor owed back holiday pay totaling \$689.60 ($\$21.55 \times 8 \text{ hours} \times 4 \text{ unpaid holidays}$) to 3 nurses for these holidays that occurred in the same pay period. Although the full-time nurses worked during the week of the holidays, the vendor did not pay two of these employees for one holiday and did not pay the other nurse for either holiday.
- **Martin Luther King, Jr's Birthday and Memorial Day Holidays.** We estimated the vendor owed back holiday pay totaling \$344.80 ($\$21.55 \times 8 \text{ hours} \times 2 \text{ nurses}$) for these unpaid holidays to two nurses. The vendor did not pay these full-time nurses holiday pay although they had worked during the week of the holiday involved.

RESULTS OF AUDIT

The Vendor. In its letter to the Inspector General, dated February 11, 1998, a vendor representative provided relevant information pertaining to our original report. The letter, in part, stated:

The Report also alleges that [the vendor] did not consistently provide holiday pay for its nurses. This allegation is incorrect. [The vendor] did provide holiday pay consistently to its full-time nurses. However, holiday pay was not always paid in conformity with the apparent requirements of the Wage Determination No. 94-2103. This problem arose because, although DHS incorporated the wage determination into the contracts by reference, it imposed other contract specifications inconsistent with the Wage Determination. Contract pricing was based on representations by DHS contracting personnel that they would not pay for nurses during school break periods such as Christmas, Spring break, furlough days, or Summer break. For contract purposes, these periods were not treated as paid holidays; rather they were simply exclusions from the contract. No funding for any holiday pay during these periods was included in the contracts.

Certain provisions of the Wage Determination, however, when interpreted in light of DOL regulations, would appear to require holiday pay during these periods in some instances. Exactly what pay is required is an extremely complex issue. DOL has been reviewing the matter and [the vendor] has fully cooperated in that review. [The vendor] has advised DOL that it will make whatever adjustments are warranted based on that review. [The vendor] has been advised by DOL to await completion of the review, which is anticipated this month before making the adjustments.

We believe that Holiday pay was priced within the contracts. For example, contract JB/87-97-0 included 10 holidays for \$8,620 (10 holidays x 8 hours x 5 nurses (i.e. 400 hours) x \$21.55). Nonetheless, the OIG has seen nothing in the contracts that impose contract specifications inconsistent with the Wage Determination. Further, our calculations of back holiday pay were for nurses who worked during the holiday week. Accordingly, the finding remains unchanged from the original report except it has been rewritten for clarity and to incorporate new information from the vendor.

RESULTS OF AUDIT

FINDING 2: PROVIDING HEALTH AND WELFARE BENEFITS TO NURSES

SYNOPSIS The vendor did not always furnish its full- and part-time nurses with health and welfare benefits or equivalent compensation, although DHS contract JA-700-17-01 and DCGH contract JB/87-97-0 contained contract provisions that required the vendor to do so. As a result, we estimated that the vendor owed its nurses \$17,016. We were not able to determine why the vendor did not always compensate its employees for health and welfare benefits. However, the vendor appears to have offered health insurance coverage to its employees, but apparently provided no alternative compensation when employees refused the insurance.

AUDIT RESULTS General Provision 31. Service Contract Act of 1965 is incorporated into these two contracts; it provides that these contracts are subject to the provisions of the Service Contract Act and the regulations of the Secretary of Labor, i.e. 29 CFR 4. This regulation states, in 29 CFR §4.175(a)(1):

[U]nless specified otherwise in the applicable determination [,] such payments [for health, welfare, and/or pension benefits] are due for all hours paid for, including paid vacation, sick leave, and holiday hours, up to a maximum of 40 hours per week and 2,080 hours per year on each contract.

The contracts also incorporated DOL Wage Determination No. 94-2103, Revision No. 8, which provides that contractors are to pay fringe benefits for the nurses, which are to include health and welfare benefits at the rate of \$0.90 per hour, \$36.00 per week, or \$156.00 per month.

In our original report, we calculated the health and welfare benefits due nurses, \$18,671, by multiplying the hours (20,745) that the vendor invoiced the D.C. Government for the contract periods by the \$0.90 per hour rate. Subsequently, the vendor provided additional evidence showing that it had paid some health and welfare benefits. While the evidence was not complete, we accepted as evidence for the entire contract period invoices from the vendor's health insurance provider showing that the provider covered an employee for part of the period unless the evidence showed otherwise. Accordingly, we accepted a portion of this new evidence, \$1,655, which reduced the amount owed by the vendor to \$17,016 (\$18,671 - \$1,655). Specifically, the amount the vendor owes for health and welfare benefits was reduced by \$1,161 to a total of \$12,205 on contract JA-700-17-01 and reduced by \$494 to a total of \$4,811 on contract JB/-87-97-0.

DHS Contract JA-700-17-01. Under this contract, the vendor invoiced the D.C. Government for 14,611 hours and had paid holidays for 240 hours. Accordingly, nurses were due health and welfare benefits for 14,851 hours (14,611 hours + 240 hours). The vendor should have compensated the nurses for health and welfare benefits totaling \$13,365.90 (14,611 hours x \$0.90 per hour). The vendor provided additional evidence showing that it had provided health and welfare benefits totaling \$1,161.43 resulting in remaining benefits due nurses of \$12,204.47 (\$13,365.90 - \$1,161.43).

RESULTS OF AUDIT

DCGH Contract JB/-87-97-0. Under this contract, the vendor invoiced the D.C. Government for 5,806 hours and had paid holidays for 88 hours. Accordingly, nurses were due health and welfare benefits for 5,894 hours (5806 hours + 88 hours). The vendor should have compensated the nurses for health and welfare benefits totaling \$5304.60 (5,894 hours x \$0.90 per hour). The vendor provided additional evidence showing that it had provided health and welfare benefits totaling \$493.72 resulting in remaining benefits due nurses of \$4,810.88 (\$5304.60 - \$493.72).

A vendor vice president maintained that the health/welfare benefit requirement was satisfied by offering health plan participation to the nurses. The vice president also indicated he did not know that part-time employees must be furnished benefits, and that the vendor was under financial pressure because the District government was several months delinquent in paying the vendor's invoices.

Notwithstanding any problems with the terms and provisions of these two contracts, the vendor had many contracts with the D.C. Government and therefore should have been fully aware of the compensation requirements for service contracts. CFR §4.188(a) states, "Section 5 of the Act provides that any person or firm found by the Secretary or the Federal agencies to have violated the Act shall be declared ineligible to receive further Federal contracts unless the Secretary recommends otherwise because of unusual circumstances" Per CFR §4.188(b)(1), "It is also clear that unusual circumstances do not include . . . those circumstances which commonly exist in cases where violations are found, such as negligent or willful disregard of the contract requirements and of the Act and regulations, including a contractor's plea of ignorance of the Act's requirements where the obligation to comply with the Act is plain from the contract, failure to keep necessary records and the like."

RESULTS OF AUDIT

FINDING 3: Billing the D.C. Government and Paying Contract Nurses

SYNOPSIS The vendor sometimes billed the D.C. Government for more hours than its nurses worked and sometimes underpaid its nurses by compensating them at lower than entitled hourly rates of pay. For contracts JA-700-17-01 and JB/87-97-0, the vendor overcharged the D.C. Government \$3,695 and underpaid its nurses \$3,609. We were not able to determine why the vendor sometimes overcharged for services, but a contractor who did the payroll for the vendor may be responsible for some of the underpayments to nurses. Subsequent to the original audit report, the vendor informed us that this contractor loaded obsolete payroll data after a computer crash, which affected the pay of the nurses for one of the contracts. The vendor did not explain why the nurses were underpaid for the other contract.

AUDIT RESULTS In our original report, we identified a number of the vendor's billing irregularities involving both the DHS and the DCGH contracts. New information, provided by the vendor subsequent to the original report, substantially reduced the amount of overcharges and underpayments we had documented.

Overcharges. Available documentation showed that the vendor overcharged the D.C. Government about \$3,695, i.e. \$1,070 on DHS contract JA-70017-01 and \$2,625 on DCGH contract JB/87-97-0. The vendor's billings are based on time cards submitted by the nurses and approved by authorized District government officials, with approval indicated by signature.

- **DHS Contract JA-70017-01.** The vendor appears to have overbilled the D.C. Government in the amount of \$1,070.32. In five instances, the vendor billed a total of 26 hours in excess of the approved hours indicated on the time cards, but paid the five nurses for the approved hours. As a result, the vendor profited in the amount of \$818.48 (26hrs x \$31.48). In a sixth instance, the vendor (based on a copy of a time card which was not signed by a District official as required) inappropriately billed eight hours for a holiday which was not worked by the nurse. The nurse received holiday pay for the eight hours. Therefore, the vendor overbilled in the amount of \$251.84 (8 hrs x \$31.48).

- **DCGH Contract JB/87-97-0.** The vendor appears to have overbilled about \$2,624.88 by billing for seven of the eight assigned nurses for the Memorial Day holiday although clinics were closed and the cost of the holiday was included in the loaded hourly rate of \$31.48. Furthermore, in at least two instances the vendor billed for the holiday even though the nurses' approved time cards indicated "holiday" and 0 hours. The vendor thus overcharged the DCGH in the amount of \$1,762.88 (7 nurses x 8 hours x \$31.48) and retained an additional \$862 (5 nurses x 8 hrs x \$21.55) since holiday pay was already factored into the bated rate based on five full-time equivalent nurses. Article IA.3. of the contract states, "The Contractor's RNs shall work an 8 hour shift, Monday through Friday, from 8:15 a.m. to 4:45 p.m., excluding legal holidays and any other day on which the clinics are closed because of furlough or for other reasons."

RESULTS OF AUDIT

Underpayments. Contrary to DOL Wage Determination No. 94-2103, Revision No. 8, which was incorporated into the contracts, the vendor sometimes paid its nurses at an hourly rate of \$20.61 instead of \$21.55. As a result, the vendor underpaid its nurses \$3,609, i.e. \$2,981 on DHS contract JA-70017-01 and \$628 on DCGH contract JB/87-97-0.

- **DHS Contract JA-70017-01.** Underpayments for this contract totaled about \$2,981. For the pay period 12/09/96-12/20/96, the vendor paid nurses at the rate of \$20.61 instead of \$21.55, thereby underpaying them in the amount of \$2,166.70 $[(\$21.55 - \$20.61) \times 2305 \text{ hours billed}]$. The vendor was unable to locate the payroll register for the prior pay period, which covered the beginning of the contract, but the OIG reasonably believes that the nurses were also paid at the lower rate during that period, resulting in an additional underpayment of \$814.04 $[(\$21.55 - \$20.61) \times 866 \text{ hours billed}]$. After December 20, 1996, nurses were paid at the required rate of \$21.55 per hour. However, a spot check of payroll registers through June 20, 1997, revealed that in connection with the subsequent school nurse contract, the vendor paid nurses less than the required \$21.55 during three pay periods.

- **DCGH Contract JB/87-97-0.** Similar to the DHS contract, underpayments totaled about \$628 for the DCGH contract. During three pay periods, the vendor paid nurses less than the base \$21.55 hourly rate. During the initial pay period ended December 20, 1996, all six nurses were paid at an hourly rate of \$20.61 for 309.75 hours billed, representing underpayments of \$291.17 $(309.75 \text{ hrs} \times \$.94)$. During the pay period ended April 25, 1997, one nurse was paid at an hourly rate of \$20.61 for 69 hours billed, representing an underpayment of \$64.86 $(69 \text{ hrs} \times \$.94)$. During the pay period ended June 6, 1997, three of eight nurses were paid at an hourly rate of \$20.61 for 211 hours billed, representing underpayments of \$198.34 $(211 \text{ hrs} \times \$.94)$, and one nurse was paid at an hourly rate of \$20.50, representing an underpayment of \$73.50 $(70 \text{ hrs} \times \$ 1.05)$. As a result, the vendor improperly retained \$627.87 $(\$291.17 + \$64.86 + \$198.34 + \$73.50)$ due the nurses. For all other pay periods through June 20, 1997, the nurses were paid at the required hourly rate of \$21.55.

RESULTS OF AUDIT

FINDING 4: MONITORING CONTRACTS

SYNOPSIS DHS and DCGH did not effectively monitor their respective contracts to ensure compliance with the Service Contract Act of 1965. Contract nurses' work hours were monitored, but the hours shown on the sign-in/out sheets frequently did not match the hours listed on the approved time cards. The vendor billings were based on time cards submitted by the nurses and approved by authorized District officials. However, the vendor's invoices were paid without verification that the billings were consistent with the approved time cards.

AUDIT RESULTS

DHS Contract JA-70017-01. The Contract Administrator was responsible for certifying the vendor's invoices and monitoring contractor compliance. Hours worked by the contract nurses were monitored by the Acting Nursing Coordinator, who also signed the nurses' time cards. The Acting Nursing Coordinator devoted substantial effort in monitoring hours as indicated by numerous adjustments to nurses' time cards prior to her certification of hours performed. In light of the fact that the hours shown on the sign-in/out sheets frequently did not match the hours listed on the approved time cards, these adjustments indicate that the Coordinator kept personal records regarding hours worked. This practice obscured the audit trail. All adjustments should be duly noted on the sign-in/out sheets.

DCGH Contract JB/87-97-0. The Nursing Coordinator, Community Health, was responsible for approving invoices for payment and monitoring contractor performance. The nursing supervisor at each of the five clinics was responsible for monitoring hours worked and certifying nurses' time cards. The OIG visited four of the five clinics to review time and attendance records. At three clinics, the standard DHS Time & Leave Certification form was used for sign-in/out purposes; however at one clinic, attendance was indicated by a check mark on a calendar. The OIG noted that nurses did not always sign in and out, the sign-in/out sheets were sometimes missing, and the hours indicated on the sign-in/out sheets frequently did not match the hours listed on the approved time cards. A common view among the nursing supervisors was that the time cards were the official records. As was the case with the DHS, nursing supervisors kept track of hours performed by means beyond sole use of the sign-in/out sheets.

RESULTS OF AUDIT

FINDING 5: USING EMERGENCY CONTRACTS AND ALTERNATIVES

SYNOPSIS Contrary to D.C. Municipal Regulations, the DHS issued five consecutive 120-day emergency contracts to the vendor to provide nurses to D.C. Public Schools. The D.C. Government may not obtain the best contract prices and may incur higher administrative costs when emergency contracts are issued; therefore emergency contracts should be avoided except when authorized. The D.C. Government also has the potential to avoid higher costs by hiring nurses rather than contracting for nursing services.

AUDIT RESULTS

Emergency Contracts. The justification for the existing emergency contract, DHS contract JA-70017-01, states:

Failure to implement an emergency contract would potentially compromise the health of children of the District of Columbia who need nursing services while in school. Awarding an emergency contract is necessary to ensure compliance with the legislatively mandated requirement for registered nursing services in the D.C. Public School System.

However, D.C. Municipal Regulations, Title 27, Chapter 1710.2 state:

For purposes of an emergency procurement under this chapter, an "emergency [emergency] condition" is a situation (such as a flood, epidemic, riot, equipment failure, or other reason set forth in a proclamation issued by the Mayor) which creates an immediate need for supplies, services, or construction which cannot be met through normal procurement methods, and the lack of which would seriously threaten one (1) or more of the following: (a) The health or safety of any person; (b) The preservation or protection of property; or (c) The continuation of necessary government functions.

Considering that D.C. Public Schools will be in existence for the foreseeable future and that the children will always need nursing services, the OIG believes that a long-term contract should have been issued after the first emergency contract expired. According to DCMR Title 27, Chapter 1710.3, emergency procurements shall not be justified on the basis of such circumstances as lack of adequate advance planning, administrative delays, or pending expiration of budget authority.

Alternatives to Contracting. While contract nurses received pay at an annual rate of \$44,824 (2080 hours x \$21.55 per hour), the vendor was compensated at an annual rate of \$65,478 (2080 hours x \$31.48) for each nurse. While we did not determine the costs to the D.C. Government for a comparable Government employee, we believe the costs would be less. By using Government nurses, the costs of monitoring and tracking the hours worked by contract nurses would also be avoided.